

Not Rated

Bank Rakyat Indonesia (BBRI IJ)

FY26 Outlook: Continuing to Focus on Asset Quality While Expanding Non-Core Businesses

Last Price (Rp)	3,670
Target Price (Rp)	n/a
Previous Target Price (Rp)	n/a
Upside/Downside	n/a
No. of Shares (mn)	151,559
Mkt Cap (Rpbn/US\$mn)	553,190/33,237
Avg, Daily T/O (Rpbn/US\$mn)	776.6/46.7
Free Float (%)	46.3
Major Shareholder (%)	
Government of Indonesia	53.2
EPS Consensus (Rp)	
	2025F 2026F 2027F
BRIDS	n/a n/a n/a
Consensus	374.1 411.1 453.3
BRIDS/Cons (%)	n/a n/a n/a

- We believe the potential removal of KUR graduation scheme should have a limited impact if the quota and rate subsidy remain steady.
- With mgmt. expectation of higher loan growth, better CoC, and cautious NIM outlook, consensus is expecting double digit FY26 earnings growth.
- BBRI currently trades at 1.7x FY25C PBV, at -1.4SD of its 5-year mean, reflecting the challenging micro business conditions.

Strengthening its core business while expanding its non-core

While waiting for the micro segment to recover, BBRI is aiming to expand its corporate and consumer loans. As of 9M25, micro loans only grew 1% yoy due to the 10% decrease in Kupedes loan and flat KUR, offset by the 29% increase in Pegadaian. In the micro business, especially in Kupedes, BBRI continues to focus on asset quality with a stricter underwriting process. To grow its consumer business, the bank aims to strengthen dominance in the payroll business, accelerate growth in auto loans and mortgages, and expand gold services.

Limited impact from potential change in KUR scheme

The government plans to remove KUR graduation scheme, hence allowing borrowers to access unlimited KUR (from 2 or 4 currently) with a flat interest of 6% (from 6-9% currently), while maintaining the micro plafond at Rp100mn (unchanged). While investors might be skeptical given the bleak outlook of the bank's higher yielding loan Kupedes (Risk-adjusted NIM of 9.2% vs KUR's 7.8%), it is worth noting that the KUR's quota remained relatively steady at Rp320tr in FY26F, vs. initial FY25F of Rp300tr. Unless there is a significant increase in quota or changes in interest rate subsidy, we see KUR and Kupedes remaining co-existent as independent MSME loans.

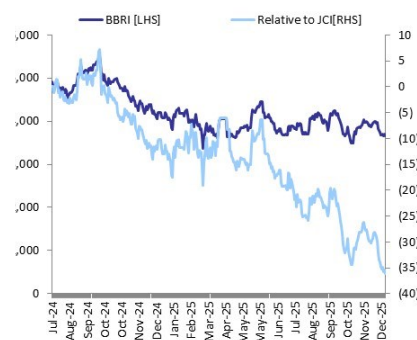
Double-digit FY26 earnings growth expectation

Management indicated a better CoC at 2.9-3.2% for FY26F, driven by lower exposure from the FY23 Kupedes vintage. Management also anticipated overall loan growth to recover to 9-10% in FY26F if micro conditions improve. However, amid the potential lower CoF, NIM might still be under pressure given the potential decline in loan yield amid the lower benchmark rate. Consensus is expecting FY26F earnings of Rp62.3tr, implying 10% yoy growth from FY25F.

Below-mean valuation amid challenging micro condition

BBRI's current PBV valuation stands at 1.7x, which is at -1.4SD below its 5-year avg, driven by the challenging business conditions and uncertainties in government's program. Management remains optimistic in resolving the vintage loan but is cautious on the micro conditions and asset yield outlook.

BBRI relative to JCI Index



Source: Bloomberg

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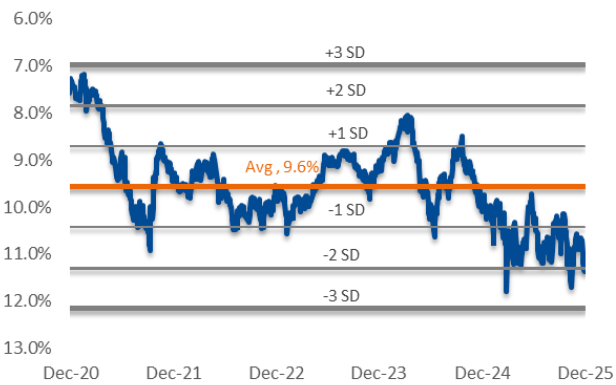
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Key Financials

Year to 31 Dec	2020A	2021A	2022A	2023A	2024A
PPOP (Rpbn)	65,059	80,435	91,285	106,508	116,752
Net profit (Rpbn)	21,036	33,467	51,170	60,100	60,155
EPS (Rp)	170.5	220.8	337.6	396.5	396.9
EPS growth (%)	(38.8)	29.5	52.9	17.5	0.1
BVPS (Rp)	1,839.7	1,905.1	1,974.8	2,054.4	2,092.2
PER (x)	21.5	16.6	10.9	9.3	9.3
PBV (x)	2.0	1.9	1.9	1.8	1.8
Dividend yield (%)	2.6	4.7	7.9	8.7	9.4
ROAE (%)	9.7	13.0	17.4	19.7	19.1

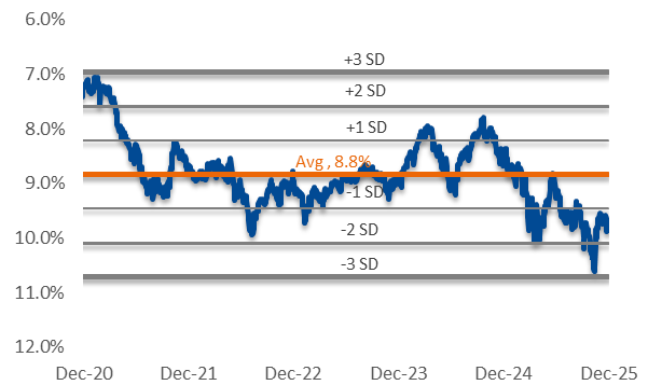
Source: BBRI, BRIDS

Exhibit 1. BBRI's cost of equity band chart (5-year)



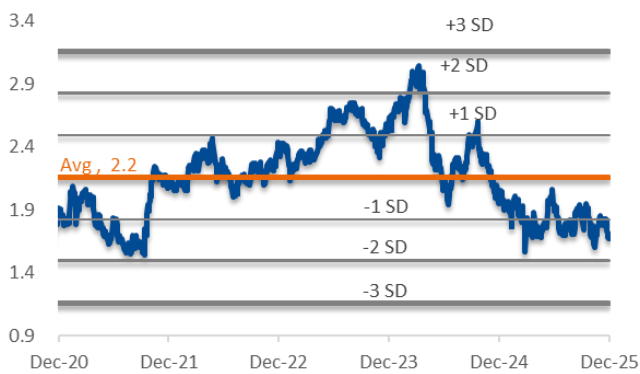
Source: Company, Bloomberg, BRIDS

Exhibit 2. Sector's cost of equity band chart (5-year)



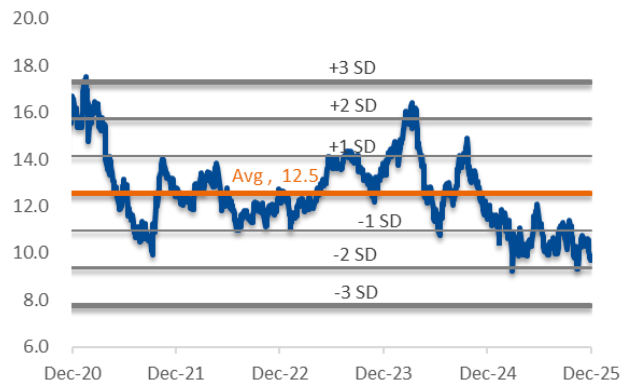
Source: Company, Bloomberg, BRIDS

Exhibit 3. BBRI's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS

Exhibit 4. BBRI's P/E band chart (5-year)



Source: Company, Bloomberg, BRIDS

Exhibit 5. Income Statement

Year to 31 Dec (Rpbn)	2020A	2021A	2022A	2023A	2024A
Interest Income	135,765	143,523	151,875	181,215	199,266
Interest Expense	(42,180)	(29,429)	(27,278)	(43,813)	(57,209)
Net Interest Income	93,584	114,094	124,597	137,402	142,057
Non-Interest Income (NII)	35,765	38,686	47,216	43,775	55,602
Oper. Income	129,349	152,780	171,813	181,177	197,659
Oper. Expenses	(67,504)	(75,918)	(82,192)	(76,782)	(82,913)
Pre-provisions profit	65,059	80,435	91,285	106,508	116,752
Provisions & Allowances	(35,280)	(39,291)	(26,979)	(29,679)	(38,174)
Operating Profits	29,779	41,144	64,306	76,829	78,578
Non-Operating Income	215	(152)	291	(399)	(979)
Exceptionals	0	0	0	0	0
Pre-tax Profit	29,993	40,992	64,597	76,430	77,599
Income Tax	(8,952)	(7,836)	(13,188)	(16,005)	(16,955)
Minorities	(6)	311	(238)	(325)	(489)
Net Profit	21,036	33,467	51,170	60,100	60,155

Exhibit 6. Balance Sheet

Year to 31 Dec (Rpbn)	2020A	2021A	2022A	2023A	2024A
Gross Loans	943,788	994,417	1,079,275	1,212,578	1,298,318
Provisions	(66,810)	(84,834)	(88,324)	(81,924)	(76,903)
Net Loans	876,977	909,583	990,951	1,130,654	1,221,415
Govt. Bonds	0	0	0	0	0
Securities	326,957	371,738	330,242	331,010	326,477
Other Earnings Assets	72,821	45,455	55,038	50,274	52,162
Total Earnings Assets	1,504,484	1,577,855	1,652,810	1,777,688	1,827,703
Fixed Assets	60,885	65,038	73,951	81,464	88,480
Non-Earnings Assets	33,492	32,023	42,374	53,142	40,099
Total Assets	1,610,065	1,678,098	1,865,639	1,965,007	1,992,983
Customer Deposits	1,071,919	1,138,743	1,307,884	1,358,329	1,365,450
Banks Deposits	23,786	13,329	9,335	11,958	14,679
Int. Bearing Liab. - Others	49,003	0	0	0	0
Total Liabilities	1,380,598	1,386,311	1,562,244	1,648,535	1,669,794
Share capital & Reserves	58,642	101,967	98,124	97,652	99,001
Retained Earnings	168,274	186,768	201,170	213,711	218,093
Shareholders' Funds	226,916	288,735	299,294	311,364	317,094
Minority interests	2,551	3,052	4,101	5,109	6,095
Total Equity & Liabilities	1,610,065	1,678,098	1,865,639	1,965,007	1,992,983

Exhibit 7. Key Ratios

Year to 31 Dec	2020A	2021A	2022A	2023A	2024A
Yield on Earning Assets	9.7	9.3	9.4	10.6	11.1
Cost of funds	3.4	2.2	1.9	2.8	3.6
Interest Spread	6.3	7.1	7.5	7.7	7.5
Net Interest Margin	6.7	7.4	7.7	8.0	7.9
Cost/Income Ratio	50.9	48.6	47.4	41.9	41.5
Oper. Exp./Oper. Gross Inc.	83.0	77.9	68.0	66.2	69.4
Gross NPL Ratio	3.0	3.1	2.7	3.0	2.8
LLP/Gross NPL	236.8	277.0	306.5	223.6	208.9
Cost of Credit	3.9	4.1	2.6	2.6	3.0
Loan to Deposit Ratio	88.0	87.3	82.5	89.3	95.1
Loan to Funding Ratio	83.5	83.3	78.7	86.1	92.9
CASA Mix	58.9	62.3	66.2	63.8	66.6
ROAE	9.7	13.0	17.4	19.7	19.1
ROAA	1.4	2.0	2.9	3.1	3.0
CAR	19.3	25.3	23.3	20.2	18.3

Exhibit 8. Dupont and Growth

Year to 31 Dec	2020A	2021A	2022A	2023A	2024A
Dupont					
Pre-Tax ROAA	2.0	2.5	3.6	4.0	3.9
Tax Retention rate	70.2	80.9	79.6	79.1	78.2
Post-Tax ROAA	1.4	2.0	2.9	3.2	3.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.0	6.4	6.0	6.3	6.3
ROAE	9.7	13.0	17.4	19.7	19.1
Growth (%)					
Interest income	11.5	5.7	5.8	19.3	10.0
Net Interest Income	14.5	21.9	9.2	10.3	3.4
Other Oper. Expenses	50.1	12.5	8.3	(6.6)	8.0
Fee Based Income	11.5	5.4	10.2	(1.5)	10.6
Pre-Provision Oper. Profit	(1.7)	23.6	13.5	16.7	9.6
Net Profit	(38.8)	59.1	52.9	17.5	0.1
Shareholders' Equity	10.0	27.2	3.7	4.0	1.8
Loan	7.6	5.4	8.5	12.4	7.1
Earnings Asset	16.0	4.9	4.8	7.6	2.8
Deposit	9.0	5.1	14.3	4.0	0.7
Int. Bearing Liab.	13.8	(0.4)	12.7	5.1	2.2
CASA	12.4	11.3	21.5	0.2	5.1
Total Asset	13.6	4.2	11.2	5.3	1.4

Source: BBRI, BRIDS

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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